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Dear Tom:

Thank you for your invitation to comment on the modernization of securities legislation in Canada. I do believe that, from a capital markets perspective, a pressing public policy issue today is securities regulation in Canada. This is a difficult issue and one which has attracted much controversy and debate; there is little point in repeating the historical views. My comments and views are tempered by experience gained in forging national organizations to set accounting and auditing standards and to inspect public accountants auditing listed companies. I trust that they will be of some use to your task force as you begin your deliberations.

The current securities regulatory system reflects the Canadian environment and has served investors well in the past. I believe that it has fostered a system that has provided adequate investor protection and recent initiatives have succeeded somewhat to reduce the regulatory burden. Further, there is no doubt that continued incremental reform of the system would provide further improvements. However, such incremental reforms give the appearance of modernization but fail to make those substantive changes needed to meet future challenges head on.

I suggest that there are three fundamental conditions that have to be met or created for true modernization of securities legislation to take place

- The case for change has to be compelling
- Participants need to have a shared vision
- The political will to make changes

While it is beyond the scope of my comments to provide a detailed treatise on each of these conditions, I have provided some observations on each and would be pleased to work with the Task Force to develop them further.

I strongly support the structure of the Task Force's mandate which focuses on changes needed to make our securities legislation cope with a rapidly changing world rather than attempting to find out what is broken and needs fixing. Not only is such a task unproductive, I believe a credible

argument could be made that current legislation and the related securities regulatory system is not broken and works well in a way that is reflective of Canadian values. The Task Force's mandate, in my view, translates the task into one that should ensure that the case made for change is forward looking and cognizant of what would be in the best interests of Canadians in a global market economy- an economy that is rapidly changing and in which the pace of such change is accelerating. I believe that making the case compelling is achievable and is a necessary condition for change.

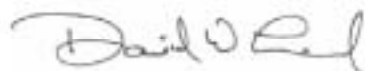
The Task Force should then set out a vision of what a modern securities regulatory system would look like. The luxury of being able to conceptualize what is needed with no preconceptions and without having to find ways to overcome existing obstacles – in other words, starting with a blank piece of paper – would lead most participants to a shared vision of needing a national solution. The benefits would be self evident. For example, for each of the criteria mentioned in the invitation to comment, namely investor protection, balancing cost and effectiveness, access to capital, regulatory burden and enforcement effectiveness, would all be enhanced with a single national regulator. The lack of an agreed vision that is articulated and shared among participants may make it difficult, if not impossible, to garner support for change.

In our Canadian environment there are many preconceptions and obstacles. These are legitimate, real and reflect perceptions of lost power and/or influence on decisions and matters that are held dearly. These have to be addressed and equitable solutions found. This is hard work and is unlikely to be successful if there is a lack of political will to address real obstacles to achieving meaningful change.

In summary success in moving to one "Canadian" voice in an increasingly competitive global market eclipses any other improvement that can be made to modernize securities legislation in Canada. Moreover it eclipses other changes to such an extent that the single most important success factor in the deliberations of the Task Force will be judged by how much was actually accomplished in moving towards the achievement of a single voice.

Thank you for providing me with the opportunity to comment. I believe the work of your Task Force is important and I would be pleased to provide you with further elaboration on my thoughts if you so wish.

Yours sincerely,



David W. Smith, FCA
President & CEO



One Voice
One Code
One Regulator

Task Force to Modernize
Securities Legislation in Canada

David W. Smith
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Observations

- Existing Situation
 - Typical Canadian fragmentation
 - Not broken but quirky
 - Uncompetitive
 - Inefficient
 - Further tinkering not enough
 - Enforcement perceived as being weak
 - Out of step internationally



Background

- Studied to death - time to act
- It's overdue – time is running out!
- No legal reasons for delay
- We can do better

Five reasons why WPC's rec's not implemented

- Lack of confidence that oversight over regulator is sufficient
- Lack of confidence that the public interest is protected
- Lack of confidence that regional differences are protected
- Lack of confidence that result is not a takeover
- Lack of confidence that political will exists



Three necessary conditions

- Compelling case
- Shared vision
- Political will

The capital markets in Canada are national in nature but are regulated on an antiquated fractional basis.



Compelling case

- Does Canada want to be relevant?
- Canada needs to -
 - catch up with the rest of the global marketplace
 - speak with one voice
 - speed up rulemaking
 - speed up enforcement

Compelling case

- What convinced me?
Operating in an increasingly global and international arena, I find it vital to correct the reality that there is no single contact point representing securities regulators in Canada. It is embarrassing. But more importantly, it takes away from the influence that Canadians have abroad.



Shared vision

- A National Securities Commission brings enhanced
 - Consistency in investor protection
 - Balance of cost and effectiveness
 - Access to markets
 - Balance of regulation burden
 - Enforcement effectiveness



Political will

- Most illusive
- Deal with obstacles (perceived and real)
- Equitable
- Inclusive

Conclusion

- Compelling case for having a single voice, a single code and a single regulator.
- Need to convince the unconvinced and show that they are better off as well.